WEEKLY BULLETIN

August 2025: Issue #3

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Quote of the Week.

"In investing, what is comfortable is rarely profitable" – Robert Arnott

In the third week of August, as the quarterly earnings season draws to a close, US equities have been under pressure, correcting for five straight sessions as investors question whether the earnings potential of generative AI will materialize quickly enough to justify current valuations. Tesla trades at a lofty 151.6x earnings and Nvidia at 34.9x, while fresh analysis warns that many reported "earnings beats" are overstated, engineered by analysts lowering forecasts ahead of results. This combination has given traders a reason to take profits.

Yet, the correction still appears to be a healthy pause rather than a reversal. The long-term growth story in AI remains intact and continues to underpin bullish sentiment. All eyes are now on Nvidia's upcoming results. If the company can show resilience even with reduced orders from China, confidence in the sector's revenue trajectory will likely be reinforced, setting the stage for renewed momentum.

At the same time, a new structural catalyst is emerging from Washington. President Trump's 401(k) Executive Order, which directs the Department of Labor to broaden retirement plan access to alternatives and digital assets, could unlock as much as $5 trillion in incremental mandates over time. The reform signals closer coordination across the Department of Labor, Treasury, and SEC, creating a supportive regulatory backdrop for inflows.

This is highly favorable for alternative asset managers that can scale to meet retirement demand. Blackstone, KKR, Apollo, and Ares stand out as the primary beneficiaries, while diversified players with alternative platforms such as Affiliated Managers, AllianceBernstein, and Janus Henderson also stand to gain.

Implication: This reform represents one of the most compelling secular investment themes of the decade, favoring platforms positioned to capture retirement flows into private markets.

Trading Opportunity: Weakness in AI leaders such as Nvidia, AMD, Alphabet, and Meta may present attractive entry points, while equal-weighted indices (e.g., RSP ETF) and defensive sectors offer a hedge should Nvidia's earnings disappoint. At the same time, Blackstone and KKR look well-placed for medium-term allocations as Trump's 401(k) reform begins to roll out.

Last Week 's Notable Events.

US Economy/Politics

- Fed minutes highlight split over effects of Trump's tariffs on inflation – 21st Aug
- Philadelphia Fed Business Outlook -0.3 vs last 15.9 – 21st Aug
- Powell's Jackson Hole speech puts September cut in play – 22nd Aug
- US food groups plead for relief from Trump's tariffs – 24th Aug

Europe Economy/Politics

- Trump backs down from 250% EU pharma tariff in deal – 21st Aug
- Germany economy shrank by 0.3% in second quarter, below expectations – 22nd Aug

Asia Pacific Economy/Equity

- Record solar growth keeps China's CO2 falling in first half of 2025 – 21st Aug
- China's machinery industry sustains strong growth in first 7 months – 23rd Aug
- US tariffs threaten millions of jobs in India's textile sector as American buyers pull orders – 24th Aug
- South Korea tells China it wants to normalise ties, upgrade economic relations – 25th Aug

Weekly Data Monitor

Weekly chart:

- US equities sold for 5-day (15-21 Aug) but staged a sharp rebound on 22 Aug, leaving S&P500 slightly higher for the week.
- USD index slide as market expects a September Fed cut..

Note: The chart shows normalised weekly highs and lows for the Indicator, BLUE being the LATEST.

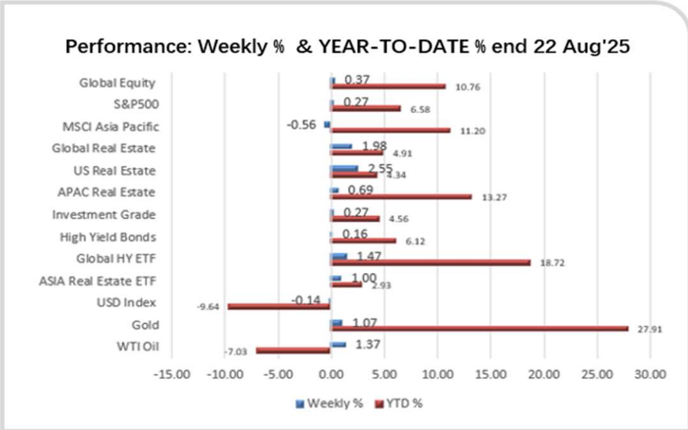
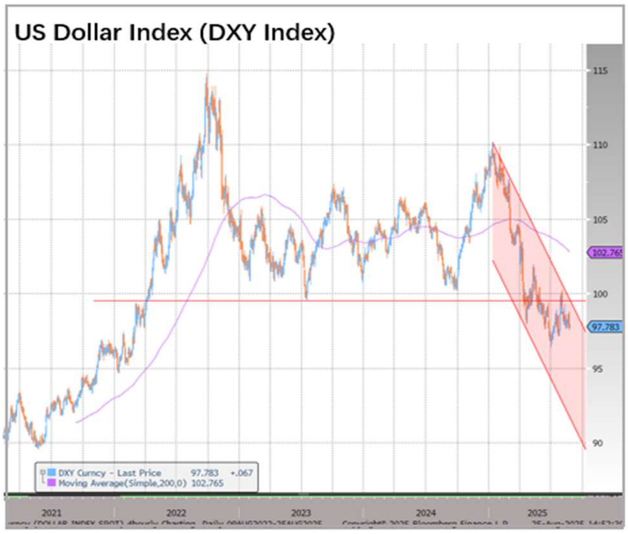


Chart of the Week

The US Dollar Index (DXY) has slipped below the key 200-day moving average and remains in a clear downtrend channel, currently hovering near 97.78. The chart shows repeated failures to reclaim the 100 level, reinforcing a bearish technical bias.

As the Fed is widely expected to begin cutting rates from September onwards, the interest rate differential that has supported the dollar for the past two years is narrowing. This shift, combined with growing expectations of easier financial conditions, will likely add to selling pressure on the USD into year-end.



From a positioning standpoint, the dollar also looks vulnerable: speculative longs have been unwinding, while global capital flows may start rotating toward higher-growth and higher-yield regions once US rates peak.

Implication: Unless the Fed surprises with a slower pace of easing, the DXY is likely to stay pressured, potentially testing the lower end of the channel around 95–96 by year-end. For investors, this points to opportunities in EUR, GBP, and select Asian FX that should benefit from USD weakness.